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# Audit



# Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE AGENCY TRAVEL PAYMENTS AT  
DEFENSE FINANCE AND ACCOUNTING SERVICE  
INDIANAPOLIS CENTER

Report No. 98-033

December 8, 1997

Department of Defense

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### **Acronyms**

DFAS  
IATS

Defense Finance and Accounting Service  
Integrated Automated Travel System



**INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
**400 ARMY NAVY DRIVE**  
**ARLINGTON, VIRGINIA 22202-2884**



December 8, 1997

**MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE**

**SUBJECT: Audit Report on Defense Agency Travel Payments at Defense Finance and  
Accounting Service Indianapolis Center (Report No. 98-033)**

We are providing this audit report for review and comment. We performed the audit in response to a request from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. As a result of management comments, we revised Recommendation 2.d. Therefore, we request that the Defense Finance and Accounting Service provide comments on Recommendation 2.d. by February 9, 1998.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Charles J. Richardson, Audit Program Director, at (703) 604-9582 (DSN 664-9582) or Mr. Robert E. Benefiel, Audit Project Manager, at (703) 604-9515 (DSN 664-9515). See Appendix B for the report distribution. Audit team members are listed on the inside back cover.

*David K. Steensma*

David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

## **Office of the Inspector General, DoD**

**Report No. 98-033**

(Project No. 7RF-2013.00)

**December 8, 1997**

### **Defense Agency Travel Payments at Defense Finance and Accounting Service Indianapolis Center**

#### **Executive Summary**

**Introduction.** This audit is part of the overall audit, Audit of Travel Expenditures for the Consolidated Financial Report on Department 97 Appropriations (Project No. 7RF-2013.01), and was performed in response to a request from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). We were asked to determine whether the Defense Finance and Accounting Service Indianapolis Center paid Defense agency travelers in a timely manner and whether the payments were made electronically when requested. On August 1, 1996, the Defense Finance and Accounting Service Indianapolis Center began processing travel claims made by Defense travelers whose travel claims were previously serviced at Bolling Air Force Base, Washington, D.C.

Defense agency travelers initially experienced delays in payment of their travel claims at the Defense Finance and Accounting Service Indianapolis Center. To facilitate the transition of services from Bolling Air Force Base and provide faster, more convenient travel pay service, management at the Defense Finance and Accounting Service Indianapolis Center initiated a test of streamlined travel approval procedures for temporary duty and local travel claims involving 10 Defense agencies. Defense agencies participating in the test reviewed and approved travel claims and telefaxed a copy of the signed travel claim to the Defense Finance and Accounting Service Indianapolis Center for reimbursement. The Defense Finance and Accounting Service Indianapolis Center paid 8,157 travel claims (totaling \$4.8 million) to travelers from the 10 agencies participating in the test, and 7,927 travel claims (totaling \$4.3 million) from the 4 non-test agencies during the test period, from September 15, 1996, through March 1, 1997.

**Audit Objectives.** The audit objective was to assess the effectiveness of Defense Finance and Accounting Service Indianapolis Center management controls over payments to Defense agency personnel for temporary duty and local travel. We discuss the overall adequacy of management controls in Inspector General, DoD, Report No. 97-155, "Internal Controls and Compliance with Laws and Regulations for the FY 1996 Financial Statements of the 'Other Defense Organizations' Receiving Department 97 Appropriations," June 11, 1997.

**Audit Results.** The travel claims processing section (the travel section) at the Defense Finance and Accounting Service Indianapolis Center generally paid travel claims in a timely manner but did not always compute travel claims accurately. Also, the travel section did not always ensure that all travel claims from Defense agency personnel for temporary duty travel included proper approval, that travelers received payment by electronic funds transfer when requested, and that travelers received travel settlement notification vouchers for electronic funds transfer in a timely manner. In addition, the travel section did not record travel claim receipt dates accurately in the automated travel tracking system. As a result, there was inadequate assurance that Defense agency travelers received satisfactory service and that the travelers could provide their agencies with actual travel cost information in a timely manner for agency oversight of travel budget execution and planning purposes.

The management controls we reviewed for travel claims processing were effective in that no material management control weaknesses were identified. See Appendix A for details on the management control program.

**Summary of Recommendations.** We recommend that the Director, Defense Finance and Accounting Service Indianapolis Center, provide each Defense agency with a quarterly listing of travelers that were previously paid by check, request that Defense agencies provide electronic funds transfer authorization forms for travelers that were not previously paid electronically, and issue written procedures for processing travel claims.

**Management Comments.** The Defense Finance and Accounting Service stated that it will provide each Defense agency a quarterly listing to assure that the Defense agencies' travelers complete the necessary forms to receive payment through electronic funds transfer and agreed to issue written procedures for processing travel claims. However, the Defense Finance and Accounting Service nonconcurred with the portion of the Recommendation on written procedures that indicated that the Defense Finance and Accounting Service should assure that Defense agencies submit corrected travel claim forms when claims are submitted without the signature of an agency approving official. See Part I for a complete discussion of the management comments and Part III for the complete text of the management comments.

**Audit Response.** Defense Finance and Accounting Service comments are generally responsive. As a result of management comments, we revised the Recommendation on written procedures to identify the specific Defense Finance and Accounting Service actions needed when travel claims are submitted without the signature of an agency approving official. We request that the Defense Finance and Accounting Service provide comments on the final report by February 9, 1998, regarding the revised recommendation.

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## **Part I - Audit Results**



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## Audit Background

This audit is part of the overall audit, Audit of Travel Expenditures for the Consolidated Financial Report on Department 97 Appropriations (Project No. 7RF-2013.01), and was done in response to a suggestion from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). We were asked to determine whether the Defense Finance and Accounting Service (DFAS) Indianapolis Center paid Defense travelers in a timely manner and whether the payments were made electronically when requested. Travel claim payments made by DFAS were reported as travel expenses on the consolidated financial report prepared by DFAS Indianapolis Center.

On August 1, 1996, the DFAS Indianapolis Center began processing travel claims made by 14 Defense agencies previously serviced at Bolling Air Force Base, Washington, D.C. Defense agency travelers initially experienced delays in payment of their travel claims at the DFAS Indianapolis Center. The DFAS Indianapolis Center management initiated a test of new travel approval procedures for temporary duty and local travel claims involving Defense agencies (the test) to facilitate the transition of services from Bolling Air Force Base and provide faster, more convenient travel pay service. The test required participating Defense agencies to review and approve travel claims, and telefax a copy of the signed travel claim to the DFAS Indianapolis Center Customer Support Division Travel Team (travel claims processing section) for reimbursement. The following 10 Defense agencies participated in the test:

- o American Forces Information Service,
- o Armed Forces Radio and Television Services,
- o Ballistic Missile Defense Organization,
- o Corporate Information Management,
- o Defense Advanced Research Projects Agency,
- o Defense Legal Services Agency,
- o Defense Medical Program Activity,
- o Department of Defense Inspector General,
- o DoD Domestic Dependent Elementary and Secondary Schools, and
- o Office of Economic Adjustment.

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The DFAS Indianapolis Center travel claims processing section also supported four other agencies that were participants in other DoD travel reengineering efforts, but were not participants in this test. The agencies were the Defense Prisoner of War/Missing In Action Office, the Defense Technology Security Administration, the Joint Staff, and the Washington Headquarters Services. The DFAS Indianapolis Center paid 8,157 travel claims (totaling \$4.8 million) to travelers from the 10 agencies participating in the test, and 7,927 travel claims (totaling \$4.3 million) from the 4 non-test agencies during the test period, from September 15, 1996, through March 1, 1997.

The DFAS Indianapolis Center planned to provide test results to participating agencies at test completion and decide whether to implement the changes permanently. On April 11, 1997, the DFAS Indianapolis Center advised test agencies that it was examining a random sample of travel claims submitted under the test procedures, and requested that agencies provide original travel claims, receipts, and travel orders for the travel claims in the sample. The DFAS Indianapolis Center intended the streamlined approval and telefax procedures to reduce the time required to receive the approved travel claim and pay the traveler. As of June 1997, DFAS Indianapolis Center was still conducting the test.

## **Audit Objectives**

The audit objective was to assess the effectiveness of DFAS Indianapolis Center management controls over payments to Defense agency personnel for temporary duty and local travel. Appendix A discusses the audit scope and methodology, statistical sampling methodology, review of the management control program, and prior coverage related to the audit objectives.

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## Travel Payment Processing

The travel claims processing section (the travel section) at the DFAS Indianapolis Center generally paid travel claims in a timely manner but did not always compute travel claims accurately. Also, the travel section did not always ensure that payments to Defense agency personnel for temporary duty travel were made with proper approval, that travelers received payment by electronic funds transfer when requested, and that travelers received travel settlement notification vouchers for electronic funds transfer in a timely manner. In addition, the travel section did not record travel claim receipt dates accurately in the automated travel tracking system. These conditions occurred because the DFAS Indianapolis Center had not established written procedures for processing travel claims. As a result, there was inadequate assurance that all Defense agency travelers received satisfactory service and that the travelers could provide their agencies with actual travel cost information in a timely manner for agency oversight of travel budget execution and planning purposes.

## Travel Guidance

During the test, a designated official within each participating agency in the test was required to complete review procedures, as detailed in the "Travel Approving Official Guide," September 9, 1996, prior to signing each travel claim. The approving official was then required to telefax a copy of the signed travel claim form and the signed travel orders to the travel section. In addition, when the traveler requested payment through electronic funds transfer, the approving official was to ask the traveler whether the DFAS Indianapolis Center had the necessary information to pay the claim electronically. When the electronic funds transfer information needed was not available at the DFAS Indianapolis Center, the approving official was also required to telefax a form<sup>\*</sup> signed by the traveler authorizing travel payments through electronic funds transfer to the traveler's financial institution and account. Based upon the telefaxed travel claim forms and travel orders, the travel section computed and certified the travel entitlement and entered the data into the disbursing system for payment. The DFAS Indianapolis Center disbursing system paid travelers either through electronic funds transfer or checks.

The requirement for an approving official signature on every travel claim was needed as a management control during the test because only the approving official was required to verify the validity of receipts supporting the travel claim. Also, the approving official retained all original receipts and did not send copies to the DFAS Indianapolis Center for further review. In contrast,

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<sup>\*</sup>Either DFAS-IN Form IR, "Travel Sure Pay/Direct Deposit Authorization Form," or SF-1199A, "Authorization for Deposit of Federal Recurring Payments."

DoD 7000.14-R, "DoD Financial Management Regulation," Volume 9, "Travel Policy and Procedures," December 31, 1996, requires an approving official signature only when changes to the allowable reimbursable expenses or itinerary occurred that were not prescribed in the orders. Volume 9 also requires each travel claims processing section responsible for computing travel claims to establish adequate management controls over claims processing. The guidance requires the travel claims processing section to notify the traveler when travel claims are received that are incorrectly prepared or missing documentation. The travel claims processing section must request the traveler to submit corrected travel claims within 2 working days.

### **Sampling Method**

We chose January 1997 as the time period for reviewing travel payment processing at the DFAS Indianapolis Center because the travel section eliminated its backlog of unprocessed travel claims in December 1996 and had stabilized its methods for processing travel claims. We used a statistical sample of travel claims from the 10 test and 4 non-test agencies to review attributes we selected for audit. The attributes were travel payment processing time, payment accuracy, travel claims receipt dates, travel claims approval, and payment through electronic funds transfer.

We selected two separate random samples for check payments and electronic funds transfer payments that we further stratified by test and non-test agencies. We used both the test and non-test agencies strata (198 travel claims) to audit travel payment accuracy, processing time and travel claims receipt dates because criteria applied to both strata. The test agencies strata (118 travel claims) was used to audit travel claims approval required by travel test procedures. We used the check payments sample (99 travel claims) to determine whether travelers requesting payment through electronic funds transfer were paid by check. The travel claims universe and stratified random sample selected are shown in the table below. Additional details on the statistical methods and results are discussed in Appendix A.

## Travel Payment Processing

### **Universe and Stratified Random Sample of Travel Claims Paid at DFAS Indianapolis Center During January 1997**

| <u>Universe</u>           | <u>Agency</u> |                 | <u>Total</u> |
|---------------------------|---------------|-----------------|--------------|
|                           | <u>Test</u>   | <u>Non-Test</u> |              |
| Check Payment             | 561           | 622             | 1,183        |
| Electronic Funds Transfer | <u>778</u>    | <u>562</u>      | <u>1,340</u> |
| <b>Total</b>              | <b>1,339</b>  | <b>1,184</b>    | <b>2,523</b> |
| <br><u>Sample</u>         |               |                 |              |
| Check Payment             | 57            | 42              | 99           |
| Electronic Funds Transfer | <u>61</u>     | <u>38</u>       | <u>99</u>    |
| <b>Total</b>              | <b>118</b>    | <b>80</b>       | <b>198</b>   |

## **Travel Payment Processing Time And Accuracy**

The travel section generally paid travel claims in a timely manner but did not always compute the travel claims accurately. We analyzed January 1997 payments on 198 travel claims randomly selected within strata from test and non-test agencies. To determine the timeliness of payments, we compared actual travel claim receipt dates (receipt dates manually stamped on mailed claims or printed on telefaxed claims) with actual payment dates for each travel claim. Based on the sample results, we project that the travel section paid about 95.8 percent of its travel claims within 15 working days after receipt of the travel claims. The 15-working-day criteria was established October 1, 1989, in the Joint Travel Regulation, Volume 2, "Department of Defense Civilian Personnel," section C1105, Repayment of Advances.

Although the travel claims were generally paid on time, the travel section did not accurately compute reimbursable expenses on about 11.8 percent of travelers' claims. The computation errors were primarily due to travel clerks' use of obsolete per diem rates for lodging and subsistence relating to both domestic and international temporary duty travel. Travel clerks did not consistently use domestic per diem rates that went into effect January 1, 1997, or international rates, which were subject to change monthly.

## **Travel Claim Receipt Dates**

Although the travel section generally paid travel claims on time, it did not record the travel claim receipt dates accurately in the Integrated Automated Travel System (IATS). The IATS is used for tracking the status of a travel claim. We analyzed travel claim receipt dates recorded for 198 randomly selected travel claims from test and non-test agencies. Based on the sample

results, we project that the travel section personnel did not accurately enter the actual travel claim receipt dates in IATS on 79.9 percent of travel claims processed. Actual travel claim receipt dates were identified from receipt dates manually stamped on mailed claims or printed on telefaxed claims.

The travel section began using IATS to record travel claim receipt dates during the course of the test. Office personnel entered receipt dates in IATS generally based upon when they personally received the claim for processing rather than the date that the travel section received the travel claim form through the mail or telefax. Supervisors did not routinely review the dates that travel section personnel entered in IATS.

The absence of accurate receipt dates in IATS precluded DFAS from accurately measuring, in an automated manner, the actual processing time from travel claim receipt to payment. The IATS data limitations also hampered travel section personnel from accurately responding to travelers' questions on the status of their travel claims. Travelers advised that they frequently received inconsistent and inaccurate responses to their questions.

## **Travel Claims Approval**

The travel section paid Defense agency personnel for temporary duty travel without proper approval. We analyzed 118 randomly selected test agency travel claims paid in January 1997. Based on the sample results, we project that the travel section paid between 99 and 226 test agency travel claims (totaling between \$37,000 and \$114,300) settled in January 1997 without the signature of a test agency approving official.

Travel claims were paid without proper approval because travel clerks in the travel section did not contact travelers, as required by DoD 7000.14-R, to request corrected travel claim forms showing the approving official signature. The test requirement for an approving official signature on every travel claim was a necessary control because, as part of the test, original travel claims, receipts, and travel orders were retained at the traveler's agency and not forwarded to the travel section for review.

**Corrective Management Actions.** Based on our audit inquiries, on May 13, 1997, DFAS Indianapolis Center Directorate for Defense Accounting requested agencies to provide a current listing of agency officials authorized to review and approve agency travel claims. The Directorate for Defense Accounting also requested signature cards for comparison with signatures on travel claims submitted. Because management is taking corrective action, no recommendations involving signature cards are needed.

## **Electronic Funds Transfer**

The travel section paid Defense agency personnel by check when payment through electronic funds transfer had been requested. We analyzed 99 randomly selected check payments made in January 1997 on travel claims from test and

## **Travel Payment Processing**

non-test agencies. Based on the sample results, we project that the DFAS Indianapolis Center paid between 171 and 330 (totaling between \$60,200 and \$151,700) Defense agency personnel by check instead of electronic funds transfer.

The check payments included travelers from test agencies and non-test agencies who requested payment through electronic funds transfer. The check payments occurred because approving officials from test agencies approved and submitted travel claims without attaching a form signed by the traveler that authorized travel payments through electronic funds transfer. Test procedures required the electronic funds transfer authorization form when the traveler requested payment through electronic funds transfer and the travel section did not have the necessary information to pay the traveler electronically. The travel section also did not contact travelers from non-test agencies and request corrected travel claims within 2 working days, as required by DoD 7000.14-R, when travel claims requesting payment through electronic funds transfer were submitted without the required electronic funds transfer authorization form.

The test procedures relating to electronic funds transfer preceded DoD implementing guidance for the Debt Collection Act of 1996, that established mandatory electronic funds transfer for all Federal payments, including travel reimbursements and advances. The DoD Implementation Guidance for Mandatory Electronic Funds Transfer of Federal Payments, December 9, 1996, requires DoD organizations to use electronic funds transfer to pay travel reimbursements and advances for travel on or after July 26, 1996, unless the traveler certifies that they do not have an account with a financial institution. The Department of the Treasury estimates that payment through electronic funds transfer costs at least 28 cents less than check payment and that full implementation of electronic funds transfer will achieve Government-wide savings of about \$100 million annually.

## **Travel Settlement Notification For Electronic Funds Transfer**

The DFAS Indianapolis Center did not mail travel settlement notification vouchers for electronic funds transfer in a timely manner. Defense agency travelers paid through electronic funds transfer reported nonreceipt and delayed receipt of travel settlement notification vouchers. The travel section generally did not record the date that they sent out travel settlement notification vouchers, so we were unable to independently measure the actual time between the electronic funds transfer payment and the mail delivery of a travel settlement notification voucher. However, DoD travelers complained that travel settlement notifications for electronic funds transfer were not sent out in a timely manner. For example, one traveler did not receive travel settlement notification until 60 days after the electronic funds transfer payment, after he was cited by his organization for not completing travel claim close-out procedures. DFAS Indianapolis Center personnel in the Centralized Disbursing Directorate Treasury Operations Office told us that in January 1997 that they sometimes waited 2 or 3 weeks before mailing travel settlement notification vouchers to travelers.



Travelers did not receive travel settlement notification vouchers in a timely manner because the DFAS Indianapolis Center did not establish procedures to assure that all travelers paid through electronic funds transfer received notification of travel settlement. Also, the DFAS Indianapolis Center had no procedures for showing dates that settlement vouchers were mailed to travelers, and, therefore, was unable to readily determine the time between the electronic funds transfer payment and the mail delivery of the travel settlement notification. The nonreceipt and delayed receipt of travel settlement notification vouchers precluded Defense agency travelers from providing their agencies with actual travel costs in a timely manner for agency oversight of travel budget execution and planning purposes.

## **Recommendations, Management Comments, and Audit Response**

**Revised Recommendation.** As a result of management comments, we revised draft Recommendation 2.d. to clarify the nature of the actions needed to improve management controls.

**We recommend that the Director, Defense Finance and Accounting Service Indianapolis Center:**

1. **Provide each Defense agency with a quarterly listing of travelers that were paid by check during the past year, and request Defense agencies to provide completed electronic funds transfer authorization forms for travelers that have not completed electronic funds transfer authorization forms.**

**Management Comments.** The Defense Finance and Accounting Service partially concurred, stating that it will provide each Defense agency a quarterly listing to assure that the Defense agencies' travelers complete the necessary forms to receive payment through electronic funds transfer.

**Audit Response.** We consider the comments responsive, so no additional comments are required.

2. **Issue written procedures for processing travel claims to assure that:**

- a. **reimbursable travel expenses are computed accurately by using current per diem rates for lodging and subsistence relating to both domestic and international temporary duty travel;**

- b. **travel claim receipt dates are accurately recorded in the Defense Finance and Accounting Service Integrated Automated Travel System;**



## Travel Payment Processing

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c. travelers paid through electronic funds transfer receive travel settlement notification vouchers in a timely manner;

d. travel clerks identify travel claim forms submitted for settlement without the signature of an agency approving official, request travelers to submit corrected claim forms signed by an agency approving official, and withholding travel claim settlement until a properly signed travel claim is received; and

e. travel claims are paid through electronic funds transfer when electronic funds transfer authorization forms are submitted.

**Management Comments.** The Defense Finance and Accounting Service partially concurred, stating that it will develop written procedures to assure that Recommendations 2.a., 2.b., 2.c., and 2.e. are implemented. The Defense Finance and Accounting Service did not concur with draft Recommendation 2.d., indicating that Defense agencies must take responsibility for their portion of the travel settlement process when travel claims are submitted without the signature of an agency approving official.

**Audit Response.** Defense Finance and Accounting Service comments on Recommendations 2.a., 2.b., 2.c., and 2.e. are responsive, so no additional comments are required. As a result of management comments, we revised draft report Recommendation 2.d. to identify the specific Defense Finance and Accounting Service actions needed when travel claims are submitted without the signature of an agency approving official. We request that the Defense Finance and Accounting Service provide comments on the final report regarding revised Recommendation 2.d.

## **Part II - Additional Information**

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## **Appendix A. Audit Process**

### **Scope and Methodology**

We examined the Joint Travel Regulation, Volume 2, "Department of Defense Civilian Personnel," December 1, 1996, and DoD 7000.14-R, Volume 9, "Travel Policy and Procedures," December 31, 1996. We reviewed DFAS Indianapolis Center policies and procedures for processing payments to Defense agency personnel for temporary duty and local travel claims, including procedures for the travel test and guidance to agency approving officials. In addition, we interviewed officials of the DFAS headquarters, DFAS Indianapolis Center, and Defense agencies serviced at the DFAS Indianapolis Center.

We reviewed temporary duty and local travel claims paid at the DFAS Indianapolis Center during January 1997 to examine travel payment accuracy, processing time, travel claim receipt dates, travel claim approval, and payment through electronic funds transfer. To determine payment accuracy, we compared allowable travel expenses authorized by the traveler's agency with travel expenses claimed on the travel voucher and reimbursed by the DFAS Indianapolis Center. We also examined per diem rates for lodging and subsistence in effect during the travel with rates used in the reimbursement computation and payment. We were unable to determine whether DFAS Indianapolis Center could account for all travel claims submitted since Defense agencies did not maintain central logs of travel claims sent for processing.

We selected a statistical sample from the 2,523 travel claims (totaling \$1.2 million) paid at the DFAS Indianapolis Center in January 1997. A detailed discussion of the statistical sampling methodology and results is provided below in this appendix.

**Use of Computer-Processed Data.** To achieve the audit objectives, we used computer-processed data in the DFAS IATS. We used IATS to identify January 1997 payment data for sampling selection and informational purposes only, and not to make a judgment on any related financial statements. We examined the accuracy of travel claim receipt dates recorded in IATS. We determined that 43.9 percent of travel claim receipt dates were not accurately recorded in IATS. We used data from source documents, not IATS, in our

audit analyses, so the accuracy of receipt dates recorded in IATS had no effect on the facts developed or the recommendations. We did not examine the accuracy, completeness, or reliability of other IATS data.

**Technical Assistance.** We obtained technical assistance on statistical sampling from the Quantitative Methods Division of the Analysis, Planning, and Technical Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

**Audit Period and Standards.** We performed this financial-related audit from February through June 1997. We conducted this audit in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. We included tests of management controls considered necessary.

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD. Further details are available on request.

## **Statistical Sampling Methodology**

**Sampling Purpose.** The statistical sampling plan estimates five elements that describe errors in travel payments made by the DFAS Indianapolis Center:

- o payment accuracy,
- o untimely payment,
- o receipt date accuracy,
- o payment not approved, and
- o payment by check that should have been made by electronic funds transfer.

The sample results provide data to evaluate the number of errors, percentage of the population in error, and the dollar amounts involved due to payment mistakes.

**Universe Represented.** The audit involved travel claims processed by DFAS Indianapolis Center during January 1997. The population contained 2,523 payments totaling \$1.25 million. These payments included 1,183 check payments totaling \$599,000 and 1,340 electronic funds transfer payments

## **Appendix A. Audit Process**

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totaling \$650,000. Test agencies accounted for about \$633,000 and non-test agencies accounted for about \$617,000. The population for payments not approved included only test agencies while the population for checks sent in error included only check payments.

**Sampling Design.** Separate samples were designed for each payment type and stratified by test or non-test agency. The samples contained 99 check payments and 99 electronic funds transfer payments. For the accuracy, timeliness and receipt dates analyses, the two samples were combined as a single sample with four strata. The approval analysis concerned only the test agencies strata (118) and the improper check payment analysis required only the 99 check payment sample items. However, seven items from the check sample and five items from the electronic funds transfer sample were not located in the audit. These sample items were assumed to have no errors. Therefore, the statistical projections and audit conclusions provide greater latitude to the auditee.

**Confidence Interval Table.** The values in the following table represent the number of errors, percentage of errors, and dollar impact due from erroneous travel payments.

**Statistical Projections for DFAS Indianapolis Center Travel  
Payments, January 1997**

**90-Percent Confidence Interval**

|  | <u>Lower<br/>Bound</u> | <u>Point<br/>Estimate</u> | <u>Upper<br/>Bound</u> |
|--|------------------------|---------------------------|------------------------|
| <b>Payment Accuracy</b>                                      |                        |                           |                        |
| Errors in Population   | 203                    | 297                       | 392                    |
| Percent in Error   | 8.0%                   | 11.8%                     | 15.5%                  |
| Dollar Error   | \$8,701                | \$23,174                  | \$37,118               |
| Dollar Error*  | 0.70%                  | 1.86%                     | 2.97%                  |
| <b>Payment Processing Time<br/>More Than 15 Working Days</b> |                        |                           |                        |
| Errors in Population   | 51                     | 107                       | 163                    |
| Percent in Error   | 2.0%                   | 4.2%                      | 6.5%                   |
| Dollar Error   | \$24,684               | \$87,018                  | \$148,634              |
| Dollar Error*  | 2.0%                   | 7.0%                      | 11.9%                  |
| <b>Travel Claim Receipt Dates<br/>Not Accurate</b>           |                        |                           |                        |
| Errors in Population   | 1,897                  | 2,016                     | 2,135                  |
| Percent in Error   | 75.2%                  | 79.9%                     | 84.6%                  |
| Average Delay (Days)   | 3.16                   | 3.75                      | 4.34                   |
| <b>Payment Not Approved</b>                                  |                        |                           |                        |
| Errors in Population   | 99                     | 163                       | 226                    |
| Percent in Error   | 7.1%                   | 11.7%                     | 16.3%                  |
| Dollar Error   | \$37,009               | \$75,203                  | \$114,319              |
| Dollar Error*  | 5.9%                   | 11.9%                     | 18.1%                  |
| <b>Check Sent In Lieu of<br/>Electronic Funds Transfer</b>   |                        |                           |                        |
| Errors in Population   | 171                    | 251                       | 330                    |
| Percent in Error   | 14.5%                  | 21.2%                     | 28.0%                  |
| Dollar Error   | \$60,240               | \$104,623                 | \$151,678              |
| Dollar Error*  | 10.1%                  | 17.5%                     | 25.3%                  |

\*Percentage of total dollars.

## **Appendix A. Audit Process**

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**Confidence Interval Statement.** With a 90-percent confidence interval, the population of travel payments for January 1997 has errors in the specific analysis from each lower bound to each upper bound, respectively. However, the point estimate is the most likely amount in error.

### **Management Control Program**

DoD Directive 5010.38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of the Management Control Program.** We reviewed the adequacy of DFAS Indianapolis Center management controls over payments to Defense agency personnel for temporary duty and local travel. Specifically, we reviewed management controls over travel payment processing time and accuracy, travel claims approval, and payment through electronic funds transfer. Because we did not identify a material weakness, we did not assess management's self-evaluation.

**Adequacy of Management Controls.** A review of the overall management controls was reported in IG, DoD, Report No. 97-155, "Internal Controls and Compliance with Laws and Regulations for the FY 1996 Financial Statements of the 'Other Defense Organizations' Receiving Department 97 Appropriations," June 11, 1997.

### **Summary of Prior Coverage**

During the last 5 years, the Office of the Inspector General, DoD, issued a report that specifically discussed problems with DoD travel systems.

Inspector General, DoD, Report No. 95-214, "Hotline Allegations Concerning Operation of a Nonstandard Automated Travel System," May 31, 1995, states that the Inspector General, DoD, did not substantiate the allegation that funds were wasted. The complainant's allegations inaccurately characterized situations, costs, and system relationships in several respects. In other respects, the allegations were overtaken by actions of the Defense Performance Review and by actions associated with the DFAS development of a DoD travel system. We informed the DFAS and the 11th Support Wing, Department of the Air Force (Support Wing), that waste could occur in the future unless both parties

cooperate to update the DoD system for travel authorizations, pay, and accounting. The DFAS and the Support Wing initiated actions in response to our observations. The report contained no findings or recommendations.



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## **Appendix B. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition and Technology  
    Director, Defense Logistics Studies Information Exchange  
Under Secretary of Defense (Comptroller)  
    Deputy Chief Financial Officer  
    Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Policy  
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)  
    Deputy Assistant Secretary of Defense (Plans and Resources)  
Assistant Secretary of Defense (Public Affairs)

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force  
Commander, United States Air Force 11th Wing

### **Other Defense Organizations**

Director, American Forces Information Service  
Director, Armed Forces Radio and Television Services  
Director, Ballistic Missile Defense Organization  
Director, Corporate Information Management  
Director, Defense Advanced Research Projects Agency  
Director, Defense Contract Audit Agency  
Director, Defense Finance and Accounting Service  
    Director, Defense Finance and Accounting Service Cleveland Center  
    Director, Defense Finance and Accounting Service Columbus Center  
    Director, Defense Finance and Accounting Service Denver Center  
    Director, Defense Finance and Accounting Service Indianapolis Center

## **Other Defense Organizations (cont'd)**

Director, Defense Legal Services Agency  
Director, Defense Logistics Agency  
Director, Defense Medical Program Activity  
Director, Defense Prisoner of War/Missing In Action Office  
Director, Defense Technology Security Administration  
Director, DoD Domestic Dependent Elementary and Secondary Schools  
Director, Joint Staff  
Director, National Security Agency  
    Inspector General, National Security Agency  
Director, Office of Economic Adjustment  
Director, Washington Headquarters Services  
Inspector General, Defense Intelligence Agency

## **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
Technical Information Center, National Security and International Affairs Division,  
    General Accounting Office

Chairman and ranking minority member of each of the following congressional  
committees and subcommittees:

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
House Committee on Government Reform and Oversight  
House Subcommittee on Government Management, Information, and Technology,  
    Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal  
    Justice, Committee on Government Reform and Oversight  
House Committee on National Security

## **Part III - Management Comments**

# Defense Finance and Accounting Service Comments



DFAS-HQ/AFB

## DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22240-5291

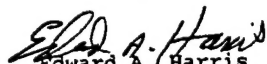
OCT 28 1997

MEMORANDUM FOR DEPUTY DIRECTOR FOR READINESS AND OPERATIONAL  
SUPPORT DIRECTORATE, OFFICE OF THE INSPECTOR  
GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit Report on Defense Agency Travel Payments  
at Defense Finance and Accounting Service  
Indianapolis Center (Project No. 7RF-2013.00)

Our comments on the subject draft report are attached.

The point of contact is Mr. Jerry Ingerick at  
(703) 607-1571.

  
Edward A. Harris  
Deputy Director for  
Accounting

Attachment:  
As stated

Audit Report on Defense Agency Travel Payments at  
Defense Finance and Accounting Service Indianapolis  
Center (Project No. 7RF-2013.00)

Recommendation 1: The Director, Defense Finance and Accounting Service Indianapolis Center provide each Defense agency with a quarterly listing of travelers that were paid by check during the past year, and request Defense agencies to provide completed electronic funds transfer authorization forms for travelers that have not completed electronic funds transfer authorization forms.

DFAS Comments: Partially concur. The Defense Finance and Accounting Service will provide each DoD Component customer a quarterly listing to assure that the customers' travelers complete the necessary forms to make payment via Electronic Funds Transfer (EFT). The traveler may have to resubmit the authorization form. Occasionally, the customer and the DFAS will make an honest mistake, e.g., traveler closes a bank account and does not notify the pay office or the notification is made but the change is not posted in a timely and accurate manner.  
Estimated Completion Date: December 31, 1997.

Recommendation 2. The Director, Defense Finance and Accounting Service Indianapolis Center issue written procedures for processing travel claims to assure that:

a. reimbursable travel expenses are computed accurately by using current per diem rates for lodging and subsistence relating to both domestic and international temporary duty travel;

b. travel claim receipt dates are accurately recorded in the Defense Finance and Accounting Service Integrated Automated Travel System;

c. travelers paid through electronic funds transfer receive travel settlement notification vouchers in a timely manner;

d. defense agencies are required to follow travel claim processing test procedures and submit corrected travel claim forms when claims are submitted without the signature of an agency approving official; and

e. travel claims are paid through electronic funds transfer when electronic funds transfer authorization forms are submitted.

DFAS Comments: Partially concur. For recommendation 2.d., the DoD Components must take responsibility for their portion of the travel settlement process. Therefore, the DFAS will develop written procedures to assure the above areas, except 2.d., are accomplished. Estimated Completion Date: December 31, 1997.

## **Audit Team Members**

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, produced this report.

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## INTERNET DOCUMENT INFORMATION FORM

**A . Report Title: Defense Agency Travel Payments at Defense Finance and Accounting Service Indianapolis Center**

**B. DATE Report Downloaded From the Internet: 09/27/99**

**C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):**  
OAIG-AUD (ATTN: AFTS Audit Suggestions)  
Inspector General, Department of Defense  
400 Army Navy Drive (Room 801)  
Arlington, VA 22202-2884

**D. Currently Applicable Classification Level: Unclassified**

**E. Distribution Statement A: Approved for Public Release**

**F. The foregoing information was compiled and provided by:**  
DTIC-OCA, Initials: \_\_VM\_\_ Preparation Date 09/27/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.

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